

Before the  
FEDERAL COMMUNICATIONS COMMISSION  
Washington, D.C. 20554

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Federal Communications Commission  
Office of Secretary

In the Matter of )  
)  
Implementation of the ) CC Docket No. 96-193  
Telecommunications Act of 1996 )  
)  
Reform of Filing Requirements )  
and Carrier Classifications )

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**REPLY COMMENTS OF BELL SOUTH**

In response to the Order and Notice of Proposed Rulemaking, FCC 96-370 ("Notice"), released September 12, 1996, BellSouth Corporation and BellSouth Telecommunications, Inc. ("BellSouth") offered comments on the changes in the Commission rules necessary to implement Section 401(b)(2)(B) of the Telecommunications Act of 1996. Fourteen other parties also filed comments in response to the Notice.<sup>1</sup> In accordance with the Notice, BellSouth hereby replies to the comments of the other parties to this proceeding.

In its Comments, BellSouth supported the elimination of the cost allocation and affiliate transaction rules, and their related reporting requirements, for price cap local exchange carriers (LECs). USTA and Pacific agree. Both parties note the express congressional directive to

<sup>1</sup> In addition to BellSouth, the following parties filed comments: Ameritech, Anchorage Telephone Utility (ATU), the Bell Atlantic Telephone Companies (Bell Atlantic), Cincinnati Bell Telephone Company (CBT), GTE Service Corporation (GTE), the NYNEX Telephone Companies (NYNEX), MCI Telecommunications Corporation (MCI), Pacific Bell and Nevada Bell (Pacific), the Puerto Rico Telephone Company (PRTC), Southwestern Bell Telephone Company (SWBT), Sprint Corporation (Sprint), Teleport Communications Group, Inc. (TCG), the United States Telephone Association (USTA) and U S West, Inc. (U S West).

eliminate unnecessary regulation and to forbear from regulation when the public interest permits.<sup>2</sup>

CBT would extend forbearance from CAM and ARMIS requirements to all LECs.<sup>3</sup>

Even if the Commission retains a CAM filing requirement and ARMIS reports, most parties agree that the 60 day advance notice requirement cannot be maintained under Section 402(b)(2)(B) of the 1996 Act.<sup>4</sup> Ameritech notes that there is no statutory requirement for Commission notification of a CAM change, and the purpose of the notice requirement for price cap LECs no longer applies.<sup>5</sup> SWBT and Bell Atlantic argue that retention of the 60 day advance notice requirement would either require carriers to file more than one CAM revision in a year, or would prevent carriers from making needed changes between annual filings.<sup>6</sup> Either result is contrary to the pro-competitive, deregulatory intent of the 1996 Act.

In its Comments, BellSouth described the anti-competitive effects that result from the 60 day advance notice requirement.<sup>7</sup> PRTC agrees, stating that waiting two months before responding to customer demands in a highly competitive market would place carriers at a severe competitive disadvantage.<sup>8</sup> CBT argues that the 60 day notice requirement "severely limits the speed with which a carrier may react to customer needs and places the carrier at a competitive disadvantage when compared to a new competitor."<sup>9</sup>

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<sup>2</sup> USTA at 2; Pacific at 2.

<sup>3</sup> CBT at 7.

<sup>4</sup> Ameritech at 2, Bell Atlantic at 2, BellSouth at 4, GTE at 2, PRTC at 3, U S West at 3, SWBT at 2, CBT at 3.

<sup>5</sup> Ameritech at 2.

<sup>6</sup> SWBT at 2, Bell Atlantic at 2.

<sup>7</sup> BellSouth at 4-5.

<sup>8</sup> PRTC at 5. See also ATU at 6.

<sup>9</sup> CBT at 3.

Only Sprint and MCI support retention of the 60 day advance notice requirement. Sprint assumes that the only alternatives to the 60 day advance notice requirement are the two spelled out in the Notice, both of which it finds unacceptable.<sup>10</sup> But PRTC points out that allowing carriers to update their CAMs and report all changes annually, with no requirement to provide interim updates when implementing changes, "is most consistent with Section 402(b)(2)(B)."<sup>11</sup> BellSouth agrees with PRTC that there is no reason for the Commission to retain an advance notice requirement for changes in a carrier's CAM. Whatever benefits the Commission perceived when it adopted this requirement are more than offset by the inefficiency and anti-competitive effect that this requirement causes in the current environment.

MCI asserts:

While the Act requires the Commission to permit LECs to file CAM revisions annually, nothing in the Act limits the Commission's authority to scrutinize changes to the LEC cost allocation procedures before they are implemented, when such scrutiny is required in order to guard against cross-subsidy.<sup>12</sup>

First, MCI does not demonstrate that advance scrutiny is necessary to guard against cross-subsidy. In a price cap environment, there is no incentive to engage in cross-subsidy. Second, MCI assumes that the 60 day advance notice requirement is the only way for the Commission to be informed about changes in LEC cost apportionment and time keeping procedures between annual CAM filings. But SWBT proposes that LECs informally notify the Commission of cost

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<sup>10</sup> Sprint at 2. See also NYNEX at 2: "[T]he Commission's proposed alternatives with regard to CAM filing requirements would not meet the regulatory relief goals of Section 402 of the Act."

<sup>11</sup> PRTC at 3. See also SWBT at 5: "[T]o be consistent with Section 402(b)(2)(B) of the 1996 Act, the Commission must permit LECs to combine all of their CAM changes in a single, annual filing at the end of each year."

<sup>12</sup> MCI at 4. MCI does not explain why it is important for the Commission to review changes in cost allocation procedures "before they are implemented," and ignores the reduced risk of cross-subsidy resulting from price cap regulation.

apportionment and time reporting changes via a letter to the Accounting and Audits Division at the time it implements such changes.<sup>13</sup> Such a procedure is consistent with the requirements of Section 402, and would be far less intrusive than retaining the 60 day advance notice requirement. Under the 1996 Act, the Commission is required to eliminate unnecessary regulation, and should consider favorably proposals, such as that of SWBT, that permit it to carry out its regulatory responsibilities in a less costly and intrusive manner.

All parties addressing the issue strongly reject the alternative proposal in the Notice to require carriers to file waivers to make changes in their CAMs between annual filings. Ameritech points out that requiring waivers for what are predominantly routine CAM revisions is not an efficient use of carrier or Commission resources, and would be more burdensome and costly than the existing rules, contrary to the deregulatory thrust of the 1996 Act.<sup>14</sup> PRTC agrees, noting that a waiver requirement, which would increase the burdens on reporting carriers and lengthen the delay in responding to competition, is plainly contrary to the spirit of the 1996 Act.<sup>15</sup> Sprint opposes the proposed waiver requirement as not consistent with the deregulatory intent of the Act and as inconsistent with incentives to deploy advanced telecommunications.<sup>16</sup> SWBT states that the waiver alternative:

would increase tremendously the burden of CAM filing requirements because it would have a direct impact by prohibiting new developments during most of the calendar year. SWBT does not understand how the Commission can seriously believe that this alternative would comply with the deregulatory intent of the 1996 Act.<sup>17</sup>

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<sup>13</sup> SWBT at 5.

<sup>14</sup> Ameritech at 2-3.

<sup>15</sup> PRTC at 4.

<sup>16</sup> Sprint at 2.

<sup>17</sup> SWBT at 7.

BellSouth agrees with these parties. Requiring a waiver to submit CAM changes between annual filings, and prohibiting carriers from altering their operations until such waivers are granted, is an anathema to the deregulatory intent of the 1996 Act. There is no rational basis for imposing such a requirement.

BellSouth agrees with USTA and others that if the Commission retains the filing requirement for ARMIS reports, it should stagger the filing of the various reports, rather than having all of the financial and infrastructure reports being due on the same date.<sup>18</sup> As these parties demonstrate, the burden on carrier resources of requiring a common filing date exceeds any convenience that might result from having all of the reports filed on the same date. BellSouth agrees with those parties that suggest the filing of the financial reports on April 1 and the infrastructure and service quality reports on July 1 of each year, if the Commission determines that it should continue these reports.

BellSouth also agrees with Bell Atlantic that the Commission should eliminate the redundancy between the now annual ARMIS 43-01 and the ARMIS 43-03 and 43-04 reports.<sup>19</sup> BellSouth agrees with Ameritech that the schedules of the ARMIS 43-02 that pertain only to cost of service/revenue requirement regulation should be eliminated for price cap LECs with no sharing.<sup>20</sup> Finally, BellSouth agrees with USTA on the revised wording for §§ 43.21(g) and (h) of the Rules.<sup>21</sup>

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<sup>18</sup> USTA at 8-9; Bell Atlantic at 2-3; Pacific at 4-5; U S West at 4-5; CBT at 4-5; Ameritech at 3.

<sup>19</sup> Bell Atlantic at 5.

<sup>20</sup> Ameritech at 3-4.

<sup>21</sup> USTA at 10.

The Commission should take this opportunity to eliminate unnecessary regulation and streamline the regulations that it retains. Only by doing so can the Commission further the efficient operation of the competitive marketplace, as Congress intended when it enacted the 1996 Act.

Respectfully submitted,

BELLSOUTH CORPORATION and  
BELLSOUTH TELECOMMUNICATIONS, INC.

By their Attorneys

A handwritten signature in cursive script, appearing to read "William B. Barfield", is written over a horizontal line.

William B. Barfield  
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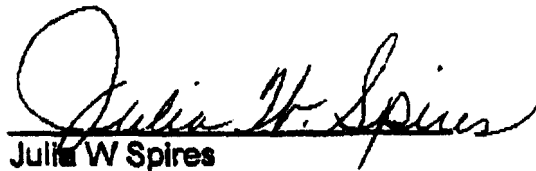
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Date: November 5, 1996

**CERTIFICATE OF SERVICE**

I, Julia W. Spires, hereby certify that on this 5th day of November, 1996, I caused copies of the foregoing ***Reply Comments***, CC Docket No. 96-193, to be served by first-class mail, postage prepaid, to the parties listed on the attached service list.

  
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